



The One Hundred and Twenty-Eighth
Annual Report of the Board of Directors
of The Canada Life Assurance Company
March 6th, 1975
Head Office, Toronto, Canada

BOARD OF DIRECTORS

E. H. CRAWFORD
President

A. H. LEMMON
Chairman of the Board

J. G. HUNGERFORD, Q.C.
Chairman of the Executive Committee of the Board

JOHN L. MCCARTHY
Vice-President

W. J. ADAMS
Formerly Senior Vice-President

DAVID W. BARR
President
Moore Corporation, Limited

ARTHUR J. E. CHILD
President and Chief Executive Officer
Burns Foods Limited
Calgary

E. JACQUES COURTOIS, Q.C.
Laing, Weldon, Courtois,
Clarkson, Parsons, Gonthier & Tétrault
Montreal

NATHANAEL V. DAVIS
Chairman of the Board
and *Chief Executive Officer*
Alcan Aluminium Limited
Montreal

GRAHAM R. DAWSON
Chairman and President
Dawson Construction Limited
Vancouver

GÉRARD FILION, C.C.
Montreal

E. C. GILL
Formerly Vice-Chairman
and a *Past President*

J. D. LEITCH
President
Upper Lakes Shipping Ltd.

A. J. LITTLE, F.C.A.
Toronto

BEVERLEY MATTHEWS, C.B.E., Q.C.
Partner
McCarthy & McCarthy

The Right Honourable
LORD McFADZEAN
Honorary President
British Insulated Callender's Cables Limited
London, England

NEIL J. MCKINNON
Director
Canadian Imperial Bank of Commerce

ELLMORE C. PATTERSON
Chairman of the Board
and *Chief Executive Officer*
J. P. Morgan & Co., Incorporated
New York

C. E. RITCHIE
Chairman and President
The Bank of Nova Scotia

MANAGEMENT OFFICERS

D. D. DENNIS, O.B.E.
Vice-President and General Manager, U.K. and Ireland

D. I. FRASER, F.L.M.I.
Vice-President, Administration, and Joint Secretary

J. C. MAYNARD, F.S.A., F.C.I.A.
Vice-President and Chief Actuary

J. M. MUNRO
Vice-President and Director of Agencies

R. D. RADFORD, F.L.M.I.
Vice-President and Treasurer

J. B. WALKER, F.S.A., F.C.I.A.
Vice-President and Director, United States Division

W. B. WAUGH, F.S.A., F.C.I.A.
Vice-President and Controller

HONORARY DIRECTORS

A. C. ASHFORTH

J. GORDON BEATTY, M.C.

J. ROY GORDON

R. A. LAIDLAW

GRAHAM F. TOWERS, C.C., C.M.G.
Formerly Chairman of the Board

S. M. WEDD

THE REPORT

Your Directors have pleasure in submitting the 128th annual report including the financial statements for the year ended December 31, 1974. The accompanying financial statements and exhibits consolidate the operating results and financial position of the Company's two wholly owned subsidiaries, The Canada Life Assurance Company of Great Britain Limited and Canada Life Insurance Company of New York.

New business placed by our marketing organizations during the year totalled \$2,180,687,000 consisting of \$1,897,758,000 of life insurance and \$282,929,000 of annuities.

Business in force totals \$16,315,059,000 excluding reinsurance ceded to other companies. This amount includes \$13,917,148,000 of life insurance and \$2,397,911,000 of annuities.

Total revenue for the year from all sources was \$347,457,000 including \$49,947,000 in amounts received and income earned for segregated annuity funds and after deducting \$28,450,000 premium reductions (policy dividends) allotted.

Payments to policyholders and beneficiaries totalled \$150,704,000.

The assets have been carefully valued and after making ample appropriations, their total is \$1,705,931,000.

Liabilities arising from insurance and annuity contracts amount to \$1,578,407,000 including \$35,955,000 premium reductions (policy dividends) for policyholders in future years.

Surplus and reserve funds total \$100,358,000 of which \$29,000,000 is a general contingency reserve and \$71,358,000 is surplus held as an additional protection for policyholders and beneficiaries.

Mr. J. Roy Gordon, who was a Director since 1957, retired at the last Annual Meeting. He was appointed an Honorary Director in recognition of his past valuable service on the Board of the Company.

Mr. A. J. Little, F.C.A. was elected a Director at the last Annual Meeting. Mr. Arthur J. E. Child and Mr. Graham R. Dawson were elected Directors in October.

The Directors gratefully acknowledge the co-operation of all members of the organization and thank them for their dedicated service to policyholders.

On behalf of the Board.

A. H. Lemmon
Chairman of the Board

E. H. Crawford
President

Toronto, March 6, 1975.

CONSOLIDATED REVENUE STATEMENT FOR 1974

WE RECEIVED

	<u>1974</u>	<u>1973</u>
Gross premiums for insurances and guaranteed annuities	\$221,797,000	\$207,748,000
Less premium reductions (policy dividends) allotted	28,450,000	24,974,000
Net premiums	193,347,000	182,774,000
Amounts received for segregated annuity funds including group transfers	36,104,000	29,865,000
Interest, dividends and rents, after deducting \$8,122,000 in 1974 and \$7,255,000 in 1973 for expenses related to investments	114,604,000	100,213,000
Profits on sale of assets and recovery of amounts previously written off	3,402,000	2,744,000
	\$347,457,000	\$315,596,000

WE PAID OR SET ASIDE FOR FUTURE PAYMENT

	<u>1974</u>	<u>1973</u>
To policyholders and beneficiaries:		
Death benefits	\$ 51,072,000	\$ 49,056,000
Disability benefits	15,234,000	11,930,000
Matured endowments	10,066,000	10,777,000
Annuities	23,568,000	20,534,000
Cash surrender options	42,548,000	37,180,000
Payments under segregated annuity funds	8,216,000	6,646,000
	150,704,000	136,123,000
Interest on amounts left on deposit . . .	3,581,000	2,831,000
Increase in actuarial reserves required for future payments under insurances and guaranteed annuities (after allowing for the change in market value of assets held for variable insurances)	73,497,000	79,680,000
Expenses of administration, sales and service (excluding investment expenses)	53,089,000	45,483,000
Income, premium and sundry taxes . . .	9,231,000	6,605,000
Amount written off assets	3,368,000	2,596,000
Decrease in market value of assets held for variable insurances and segregated annuity funds	41,980,000	19,461,000
Net increase in segregated annuity funds	7,583,000	19,601,000
Addition to general contingency reserve .	2,000,000	1,000,000
Addition to surplus held as an additional protection for policyholders and beneficiaries	2,424,000	2,216,000
Balance at Dec. 31, 1974	\$71,358,000	
Balance at Dec. 31, 1973	\$68,934,000	
	\$347,457,000	\$315,596,000

(See accompanying notes)

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

AT DECEMBER 31, 1974

ASSETS

	<u>1974</u>	<u>1973</u>
Bonds:		
Government	\$ 168,020,000	\$ 162,525,000
Corporate	340,472,000	339,524,000
	<u>508,492,000</u>	<u>502,049,000</u>
Mortgage Loans	527,876,000	492,997,000
Stocks:		
Preferred	30,214,000	29,083,000
Common	126,481,000	131,805,000
	<u>156,695,000</u>	<u>160,888,000</u>
Properties held for investment	70,021,000	67,404,000
Loans on policies	163,980,000	144,554,000
Office premises	27,448,000	27,871,000
Cash and interest bearing deposits	21,800,000	11,784,000
Premiums in course of collection	12,051,000	9,857,000
Interest and rents due and accrued	19,774,000	17,246,000
Other assets	6,651,000	5,546,000
	<u>1,514,788,000</u>	<u>1,440,196,000</u>
Net assets held for segregated annuity funds (see note 2)	191,143,000	183,560,000
	<u>\$1,705,931,000</u>	<u>\$1,623,756,000</u>

LIABILITIES AND SURPLUS

	<u>1974</u>	<u>1973</u>
Actuarial reserves, being the amount required, in addition to future premiums and interest, to provide for future payments under insurances and guaranteed annuities	\$1,282,111,000	\$1,225,589,000
Benefits in course of payment and provision for unreported claims	28,949,000	24,696,000
Policyholders' amounts left on deposit at interest	40,249,000	36,751,000
Provision for future premium reductions (policy dividends)	35,955,000	34,636,000
Miscellaneous liabilities (including unallocated amounts and provision for outstanding taxes and expenses)	27,166,000	22,590,000
General contingency reserve	29,000,000	27,000,000
Surplus held as an additional protection for policyholders and beneficiaries	71,358,000	68,934,000
	<u>1,514,788,000</u>	<u>1,440,196,000</u>
Funds held for segregated annuities	191,143,000	183,560,000
	<u>\$1,705,931,000</u>	<u>\$1,623,756,000</u>

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1974

1. These financial statements consolidate the operating results and financial position of the Company's two wholly owned subsidiaries, The Canada Life Assurance Company of Great Britain Limited and Canada Life Insurance Company of New York.
2. Bonds are carried at amortized cost and stocks at cost, with two basic exceptions:
 - (1) Securities held for the health insurance business are required to be carried at market value which at December 31, 1974 was \$1,686,000 less than cost (1973 — \$922,000 less than cost) and
 - (2) Assets held for variable insurance contracts are included at market value as follows:

	1974	1973
Bonds:		
Government	\$ 508,000	\$ 788,000
Corporate	1,371,000	3,095,000
Common stocks	10,504,000	16,594,000
	<u>\$12,383,000</u>	<u>\$20,477,000</u>

The carrying value of mortgage loans at December 31, 1974 has been reduced by an investment valuation allowance of \$37,148,000. At December 31, 1973, the corresponding amount of \$34,545,000 was applied to reduce the carrying values of bonds and stocks; the 1973 comparative figures have been restated to correspond with the 1974 form of presentation.

Prior to 1974, assets held for variable segregated annuity contracts have been included in the detail of the statement of assets and liabilities according to their nature. In 1974, the net assets held for variable segregated annuity contracts have been identified in total only and the comparative 1973 figures have been restated to conform with the 1974 format. The net assets at market value are analysed in the following schedule:

	1974	1973
Bonds:		
Government	\$ 6,741,000	\$ 5,016,000
Corporate	74,921,000	55,380,000
Mortgage loans	40,858,000	40,649,000
Stocks:		
Preferred	2,991,000	1,685,000
Common	60,927,000	77,928,000
Cash and interest bearing deposits net of sundry liabilities	1,944,000	1,087,000
Interest due and accrued	2,761,000	1,815,000
	<u>\$191,143,000</u>	<u>\$183,560,000</u>

Properties held for investment and office premises are shown at cost less appropriate accumulated depreciation. In 1974, in conformity with the method accepted in the real estate investment industry and previously used by the Company for its properties held for investment, the Company adopted the sinking fund method of providing depreciation on its office premises, as compared with the declining balance method previously used. This had the effect of reducing 1974 expenses by \$350,000.

The valuations of all invested assets as prescribed by the insurance law of Canada, in total, are greater than the book values in these financial statements.

3. Throughout these statements, United States currency is included at the rate of \$1.00 Canadian to the U.S. dollar. Sterling is included at \$2.60 Canadian to the pound for 1973. Effective January 1, 1974, the Company adopted a translation rate of \$2.40 Canadian to the pound. As a result of the change in rate, the Canadian dollar equivalents of assets and liabilities in sterling were both reduced by approximately \$18,500,000. If current rates of exchange had been used in the statement of assets and liabilities, there would have been no material change in surplus as shown.
4. At December 31, 1974, assets included in the accompanying consolidated statement of assets and liabilities held in trust by The Canada Life Assurance Company (exclusive of its subsidiaries) for the protection of its United States policyholders totalled more than \$227,000,000 which exceeded net liabilities to its United States policyholders at that date.

ACTUARY'S REPORT

To the Policyholders and Directors of
The Canada Life Assurance Company:

I have certified that the actuarial reserves exceed the reserves required by the Canadian and British Insurance Companies Act, and in my opinion, these reserves together with the other liabilities shown in the consolidated Statement of Assets and Liabilities at December 31, 1974, make good and sufficient provision for all unmatured obligations of the Companies under the terms of their policies.

Toronto, Canada
February 12, 1975.

J. C. Maynard, F.S.A., F.C.I.A.
Vice-President and Chief Actuary

AUDITORS' REPORT

To the Policyholders and Directors of
The Canada Life Assurance Company:

We have examined the consolidated statement of assets and liabilities of The Canada Life Assurance Company and its subsidiaries as at December 31, 1974, and the consolidated revenue statement for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the actuarial liability was determined and certified by the Company's Vice-President and Chief Actuary.

In our opinion, based on our examination and the certificate of the Vice-President and Chief Actuary, these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1974, and the results of their operations for the year then ended in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Toronto, Canada
February 12, 1975

Clarkson, Gordon & Co.
Chartered Accountants

1

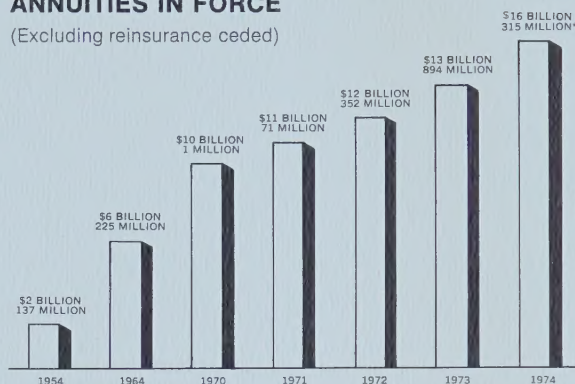
NEW BUSINESS

	First Year Premiums (in thousands)	
	1974	1973
Individual		
Insurances	\$12,845	\$10,551
Annuities — Annual Premiums	2,571	2,211
— Single Premiums	18,558	19,416
Health Insurance	499	289
Variable Insurances and Annuities	7,382	9,662
Total Individual	\$41,855	\$42,129
Group		
Insurance and Annuities	\$10,463	\$ 4,820
Health Insurance	4,441	2,837
Segregated Annuities	6,114	4,119
Total Group	\$21,018	\$11,776
Total Individual and Group	\$62,873	\$53,905

2

LIFE INSURANCE AND ANNUITIES IN FORCE

(Excluding reinsurance ceded)



*Life Insurance — \$ 13 billion, 917 million
Annuities — \$ 2 billion, 398 million

3

PAYMENTS UNDER POLICY CONTRACTS

	in millions	
	1974	1973
Death and Disability Benefits	\$ 66.3	\$ 61.0
Endowments	10.1	10.8
Annuities	23.6	20.5
Cash Surrender Options	42.5	37.2
Segregated Annuity Funds	8.2	6.6
Total	\$150.7	\$136.1

4

NET RATE OF INTEREST EARNED 1954 - 1974

